

18 Nov 2022

Hoa Sen Group (HSG)

Oct 2022 – Sales volume declined

Vietnam Steel Association (VSA) released some worthy headlines on the Oct sales of the company. Here are some key issues worthy of note.

Sales volume declined in Oct

- Total Oct steel sales volume posted 108,782 tonnes, dropping by 48.2% yoy, 7.5% mom.
- Steel coat volume made up 73.0% of the Oct total sales volume at 79,515 tonnes, -6.4% mom and -54.6% yoy.
- The coated steel export volume (40,465 tonnes) was down significantly by 65.1% yoy but up 15.0% mom, which showed a slight improvement in export sales.
- Domestic volume of steel coat recorded 39,050 tonnes (-21.6% mom, -34.3% yoy) and steel pipes volume posted 29,267 tonnes (-10.2% mom and -15.6% yoy).

Rating and recommendation

- We reaffirm HOLD rating in view of multiple sector bottlenecks on unfavorable selling prices, harsh competitiveness, and weak global demand as we examined [in the in-depth flat steel report](#).

12M rating **HOLD (Maintain)**

12M TP

Up/Downside

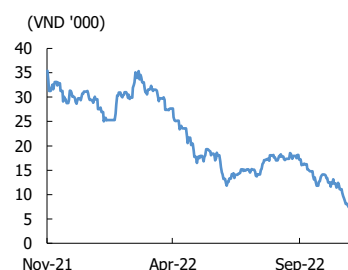
Stock Data

VNIndex (17 Nov, pt)	969
Stock price (17 Nov, VND)	8,410
Market cap (USD mn)	203
Shares outstanding (mn)	598
52-Week high/low (VND)	35,375/7,350
6M avg. daily turnover (USD mn)	7.25
Free float / Foreign ownership (%)	74.6/5.8
Major shareholders (%)	
Le Phuoc Vu	16.7

Performance

	1M	6M	12M
Absolute (%)	(40.1)	(52.3)	(76.3)
Relative to VNIndex (%p)	(32.4)	(32.0)	(42.9)

Stock price trend



Source: Bloomberg

FY-ending Sep.	FY20A	FY21A	FY22F	FY23F	FY24F
Sales (VND bn)	27,540	48,727	49,070	41,849	49,016
chg. (% YoY)	(1.8)	76.9	0.7	(14.7)	17.1
Operating profit (VND bn)	1,959	5,047	1,880	2,138	2,636
Net profit (VND bn)	1,153	4,249	1,395	1,643	2,039
EPS (VND)	2,642	8,434	2,319	2,731	3,388
chg. (% YoY)	201.6	219.3	(72.5)	17.8	24.1
EBITDA (VND bn)	3,181	5,708	3,086	3,368	3,894
PE (x)	4.8	1.5	5.5	4.7	3.8
EV/EBITDA (x)	4.2	2.0	4.0	2.5	2.0
PB (x)	0.9	0.6	0.5	0.5	0.4
ROE (%)	19.1	48.8	11.1	10.9	12.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest.

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Table 1. Sales volume growth

(Tonnes)

	Monthly				Accumulated		
	Oct-21	Oct-22	MoM (%)	YoY (%)	1MFY22	1MFY23	YoY (%)
Steel Pipes	34,693	29,267	(10.2)	(15.6)	34,693	29,267	(15.6)
Export	1,336	1,051	39.8	(21.3)	1,336	1,051	(21.3)
Domestic	33,357	28,216	(11.4)	(15.4)	33,357	28,216	(15.4)
Steel Coat	175,313	79,515	(6.4)	(54.6)	175,313	79,515	(54.6)
Export	115,854	40,465	15.0	(65.1)	115,854	40,465	(65.1)
Domestic	59,459	39,050	(21.6)	(34.3)	59,459	39,050	(34.3)
Total Steel Volume	210,006	108,782	(7.5)	(48.2)	210,006	108,782	(48.2)
Export	117,190	41,516	15.5	(64.6)	117,190	41,516	(64.6)
Domestic	92,816	67,266	(17.6)	(27.5)	92,816	67,266	(27.5)

Source: VSA, KIS

Table 2. Production volume growth

(Tonnes)

	Monthly				Accumulated		
	Oct-21	Oct-22	MoM (%)	YoY (%)	1MFY22	1MFY23	YoY (%)
Steel Pipes							
Production	25,628	21,313	(38.8)	(16.8)	25,628	21,313	(16.8)
Inventories	47,641	35,398	2.1	(25.7)			
Steel Coat							
Production	169,497	101,502	3.0	(40.1)	169,497	101,502	(40.1)
Inventories	92,606	65,087	0.8	(29.7)			
Steel Coil							
Production	170,306	103,287	(17.3)	(39.4)	170,306	103,287	(39.4)
Inventories	22,167	14,034	(8.9)	(36.7)			
Total							
Production	365,431	226,102	(12.4)	(38.1)	365,431	226,102	(38.1)
Inventories	162,414	114,519	(0.1)	(29.5)			

Source: VSA, KIS,

Company overview & Glossary

Founded in 2001, HSG is a leading manufacturer of galvanized steel sheets (capacity of 2.7mn tonnes per year capacity) in Vietnam. Other products include steel pipes (capacity 990,000 tonnes per year) and plastic pipes. HSG also has its own retail distribution network with 536 branches.

Balance sheet

(VND bn)

FY-ending Sep.	FY20A	FY21A	FY22F	FY23F	FY24F
Current assets	9,022	18,658	19,161	19,138	20,953
Cash & cash equivalents	575	516	681	3,745	3,346
Accounts & other receivables	2,024	4,535	4,486	3,711	4,078
Inventory	5,524	12,356	12,375	10,301	11,912
Non-current assets	8,734	7,963	7,434	6,992	6,694
Fixed assets	7,595	6,662	5,956	5,326	4,768
Investment assets	603	682	682	682	682
Others	1,251	1,689	2,146	1,960	2,254
Total assets	17,756	26,620	26,595	26,130	27,647
Advances from customers	209	268	294	251	294
Unearned revenue	0	0	0	0	0
Trade payables	1,455	4,294	4,243	2,972	3,400
Others	1,316	4,390	4,402	4,416	4,433
ST debt & due bonds	6,023	5,437	4,437	3,937	3,637
LT debt & bonds	2,163	1,399	999	699	0
Total liabilities	11,166	15,788	14,375	12,275	11,764
Controlling interest	6,584	10,815	12,203	13,838	15,867
Capital stock	4,446	4,935	4,935	4,935	4,935
Capital surplus	152	157	157	157	157
Other reserves	36	91	92	94	96
Retained earnings	1,954	5,633	7,020	8,653	10,679
Minority interest	7	17	17	17	17
Shareholders' equity	6,591	10,832	12,220	13,855	15,884

Cash flow

(VND bn)

FY-ending Sep.	FY20A	FY21A	FY22F	FY23F	FY24F
C/F from operations	2,110	1,338	2,063	4,461	1,289
Net profit	1,152	4,249	1,395	1,643	2,039
Dep'n & Amort'n	1,230	1,186	1,206	1,230	1,258
Net incr. in W/C	(272)	(4,097)	(538)	1,588	(2,008)
C/F from investing	(311)	(130)	(522)	(643)	(783)
Capex	(398)	(319)	(500)	(600)	(700)
Incr. in investment	87	189	(22)	(43)	(83)
C/F from financing	(1,513.0)	(1,313.0)	(1,400.0)	(800.0)	(999.4)
Incr. in equity	(1)	39	0	0	0
Incr. in debt	(1,447)	(1,291)	(1,400)	(800)	(999)
Dividends	0	0	0	0	0
C/F from others	0	23	0	0	0
Increase in cash	286	(105)	141	3,017	(493)

Income statement

(VND bn)

FY-ending Sep.	FY20A	FY21A	FY22F	FY23F	FY24F
Sales	27,540	48,727	49,070	41,849	49,016
COGS	22,913	39,910	43,019	36,154	42,214
Gross profit	4,626	8,817	6,051	5,695	6,802
SG&A expense	2,668	3,770	4,171	3,557	4,166
Operating profit	1,959	5,047	1,880	2,138	2,636
Financial income	77	367	294	251	294
Interest income	0	0	1	4	11
Financial expense	659	554	540	460	539
Interest expense	560	355	381	278	218
Other non-operating profit	(3)	(2)	5	4	5
Gains (Losses) in associates, subsidiaries, and JV	0	0	0	0	0
Earnings before tax	1,374	4,858	1,640	1,933	2,395
Income taxes	221	609	244	290	357
Net profit	1,152	4,249	1,395	1,643	2,039
Net profit of controlling interest	1,153	4,249	1,395	1,643	2,039
EBITDA	3,181	5,708	3,086	3,368	3,894

Key financial data

FY-ending Sep.	FY20A	FY21A	FY22F	FY23F	FY24F
per share data (VND)					
EPS	2,642	8,434	2,319	2,731	3,388
BPS	14,825	21,950	23,929	26,662	30,054
DPS	0	0	0	0	0
Growth (%)					
Sales growth	(1.8)	76.9	0.7	(14.7)	17.1
OP growth	98.5	157.6	(62.7)	13.7	23.3
NP growth	212.0	268.7	(67.2)	17.8	24.1
EPS growth	201.6	219.3	(72.5)	17.8	24.1
EBITDA growth	46.4	95.5	(50.5)	9.1	15.6
Profitability (%)					
OP margin	7.1	10.4	3.8	5.1	5.4
NP margin	4.2	8.7	2.8	3.9	4.2
EBITDA margin	11.6	12.8	6.3	8.0	7.9
ROA	6.6	19.2	5.2	6.2	7.6
ROE	19.1	48.8	11.1	10.9	12.0
Dividend yield	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio	0.0	0.0	0.0	0.0	0.0
Stability					
Net debt (VND bn)	7,611	6,320	4,756	891	291
Int.-bearing debt/equity (%)	120.0	60.0	30.0	10.0	0.0
Valuation (X)					
PE	4.8	1.5	5.5	4.7	3.8
PB	0.9	0.6	0.5	0.5	0.4
EV/EBITDA	4.2	2.0	4.0	2.5	2.0

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